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Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05

L-03 SP-02 IO-11 PA-01 PRS-01 USIA-06 /080 W
---------- 025634
R 111036Z FEB 76
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 8306
INFO AMEMBASSY LONDON
AMCONSUL HONG KONG

LIMITED OFFICIAL USE BANGKOK 3129

E.O. 11652: N/A
TAGS: EAIR, TH, UK
SUBJECT: CIVAIR: THAI INTER-AIR SIAM STRUGGLE

REF: A) BANGKOK 2148 B) BANGKOK 2450

1. DESPITE FEB 10 PRESS REPORTS THAT MAJOR POINTS OF CONTENTION BETWEEN THAI INTER AND AIR SIAM HAVE BEEN RESOLVED, AND THAT FIRMS ARE NOW HEADING TOWARD MERGER BY END OF 1977, IT APPEARS CABINET ON FEB 9, CLUTCHING AT APPARENT BREAKTHROUGH IN CIVAIR DISPUTE WITH BRITISH, OPTED TO POSTPONE DECISION FOR TIME BEING.

2. MAJOR ELEMENTS ARE THESE:

A. ON BASIS UK-RTG TALKS IN LONDON LAST WEEK, WHICH INCLUDED DISCUSSIONS OF NEW BANGKOK-HONG KONG FARES ESTABLISHED BY RTG FEB 1 (REF A), BRITISH HAVE AGREED TO TENTATIVE FARE-CAPACITY PACKAGE WHICH WOULD PERMIT THAI AIRLINES TO OFFER FIXED NUMBER OF SEATS WEEKLY ON HONG KONG-TOKYO SECTOR (RUMOR SAYS FIGURE WOULD BE 1000

SEATS WEEKLY IN EACH DIRECTION FOR AIR SIAM AND 350 FOR
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THAI INTER. HOWEVER, BRITISH EMBASSY OFFICER, WHO

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DECLINED TO DISCUSS OTHER DETAILS, SAID HE DOUBTS THE TOTALS--WHICH ARE HARDLY PRINCELY FIGURES--WILL BE THAT LARGE.)

B. OVER WEEKEND FINANCE MINISTER BUNCHU MET WITH EXECUTIVES OF THAI INTER AND AIR SIAM TO GET AGREEMENT OF AIRLINES ON 1) RATIO OF SEATS TO BE OFFERED ON TOKYO-HONG KONG SECTOR; 2) AUTHORITY FOR RTG TO APPOINT MEMBER OF AIR SIAM'S BOARD OF DIRECTORS (AIR SIAM REFUSED TO OPEN BOOKS TO GOVERNMENT BOARD OF INQUIRY SOME WEEKS AGO; 3) VAGUE PROMISES IN REGARD MARKETING, "RECIPROCAL TICKET SELLING" AND OTHER FORMS OF BUSINESS COOPERATION.

C. ARMED WITH RESULTS OF BUNCHU MEETING AND CABINET DECISION, RTG DELEGATION LED BY UNDER SECRETARY SIRILAK, WILL RESUME DISCUSSIONS WITH UKDEL IN LONDON NEXT WEEK IN EFFORT GAIN FINAL APPROVAL OF FARE-CAPACITY PACKAGE.

3. COMMENT: WE WILL BE ABLE TO OBTAIN BETTER PICTURE OF SITUATION OVER NEXT TWO OR THREE DAYS. OUR BEST SOURCE, DEEPLY INVOLVED IN THESE MATTERS, HAS NOT BEEN AVAILABLE IN SOME DAYS. ON FACE OF IT, HOWEVER, IT APPEARS THAI INTER HAS WON THIS ROUND, SINCE AIR SIAM, WHICH HAS CONSIDERABLE INFLUENCE IN CARETAKER GOVERNMENT, HAD HOPED CABINET WOULD MAKE DEFINITE DECISION TO TRANSFER THAI INTER'S ROUTES NORTH OF BANGKOK TO AIR SIAM. PARTIAL LIFTING OF BAN ON TOKYO-HONG KONG SECTOR WOULD SUPPLY COMESTICS DESIRED BY MINISTRY OF COMMUNICATIONS, AS IT SEEKS TO PROTECT THAI INTER'S INTERESTS, BUT PROBABLY WOULD NOT PROVIDE ENOUGH SEATS FOR AIR SIAM--WITH FIVE WIDE-BODIED SERVICES WEEKLY IN EACH DIRECTION-TO RECOUP ITS FINANCIAL LOSSES. MOREOVER, NEW MINIMUM FARE ON BANGKOK-HONG KONG POSES ADDITIONAL THREAT TO AIR SIAM WHOSE SERVICE AND SCHEDULES ARE NOT GOOD ENOUGH TO COMPETE WITH OTHER AIRLINES AT ESTABLISHED PRICES.
WHITEHOUSE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRLINES, AIR FARES, NEGOTIATIONS, REORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO03129
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760052-0827
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760261/aaaacbme.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BANGKOK 2148, 76 BANGKOK 2450
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 17 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 MAY 2004 by ellisoob>; APPROVED <30 JUN 2004 by morefirh>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: THAI INTER-AIR SIAM STRUGGLE
TAGS: EAIR, TH, UK, HK, AIR SIAM, THAI INTERNATIONAL AIRLINES
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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